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Booze Isn't Countercyclical... Did You Hear That Blackstone, Bain and KKR?

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Last week we learned that a long list of buyout firms are in the bidding for Oriental Brewery, South Korea's second largest beer maker. Meanwhile, New York-based buyout firm KPS Capital Partners has agreed to purchase Labatt USA from Anheuser-Busch InBev.

We suggested the rash of interest must be countercyclical. The idea being, of course, that people turn to drinking when times get tough.

But that's not the case at all. Stats guru Nate Silverman of FiveThirtyEight has concluded that booze is in fact not countercyclical. According to his analysis, sales of alcohol for off-premises consumption dripped 9.3% in the fourth quarter last year! That's 5.6 points greater than the prior largest drop, a 3.7% decline in the back half of 1991.

It's no different overseas. In the UK, the pub sector is likely becoming an area for distressed investment, with beer sales hitting their lowest levels since the 1930s last summer and continuing to slide.

Yikes. Even worse for our beer-bidding PE pros is the breakdown by type of alcohol. Silverman writes, "Beer accounts for almost all of the decrease, with revenues off by almost 14 percent." Wine and spirits remained relatively stable, with respective 1.6% and 0.9% declines. Is this less a symptom of the economy and more a macro-trend away from beer consumption?

But there's at least one alcohol-investing firm that won't be hurt, and that's Bacchus Capital Management, the mezzanine fund dedicated to wine investments. Wine consumption is apparently up despite the economic downturn, according to research recently published by the International Wine & Spirit Record. Bacchus Capital formed in 2007 and has announced one investment to date.

It seems that most other PE investors in the alcohol segment have gotten it right, as well. Recent investments include Lion Capital's purchase of Russian Alcohol Group, a maker of vodka. Freeman Spogli has backed Winebow, a wine importer. Arbor Investments purchased Sam's Wine and Spirits.